Semi-Annual Report
on Stalprodukt S.A.
Capital Group's Activities
For the period from 1.01.2019 to 30.06.2019

Bochnia, August 2019

Contents:

1. Capital Group's Structure

The Stalprodukt S.A. Capital Group embraces the Parent Company and 11 Subsidiary Companies involved in the below-mentioned segments of activity:

- **Stalprodukt-Centrostal Kraków sp. z o.o. -** wholesale and retail trade of metal products
- **Stalprodukt-Wamech sp. z o.o.* -** production of steel constructions, spare parts and rendering alteration services
- **Stalprodukt-Serwis sp. z o.o.* -** alteration services
- **Stalprodukt-Zamość sp. z o.o. -** production of construction woodwork
- **Stalprodukt-MB sp. z o.o.* -** road construction and maintenance, erection of road safety barriers
- **STP Elbud sp. z o.o. –** production of steel constructions and galvanizing services
- **Stalprodukt-Ochrona sp. z o.o.** - personal and property security services
- **Cynk-Mal S.A.** - production of galvanized hoop iron and wire
- **ZGH "Bolesław" S.**A. - excavation of non-ferrous metal ores and zinc and lead production
- **Anew Institute sp. z o.o. -** designing renewable energy sources
- **GO Steel Frydek Mistek a.s. -** production of electrical transformer sheets and cold-rolled sheets

  * Companies covered by the merger process (detailed information in p.1.1.)

The Level of Parent Company's Shareholding in Subsidiary Companies is as follows:

- in ZGH "Bolesław" – 94.92 %
- in other companies – 100 % shares each.

The parent company has 2 branches which are production departments of cold-bent profiles:

a) Stalprodukt S.A. Wydział Profili Giętych P3, ul. Nad Drwiną 10, 30-741 Kraków

b) Stalprodukt S.A. Wydział Profili Giętych P4,Al. Piaskowa 122, 33-100 Tarnów

The Parent Company's main object of activity is the manufacture of highly processed steel products, i.e. electrical and transformer sheets and strips, cold formed profiles, road safety barriers, toroidal cores and hot- and cold-rolled steel sheets and strips.

The Parent Company and all the Capital Group's Subsidiary Companies were subject to consolidation.

Pursuant to art. 55 of the Accountancy Act as of 29.09.1994 (consolidated text Journal of Laws as of 2018, item 395), the Issuer prepares consolidated financial reports in reference to the periods beginning as of 1 January 2005 in accordance with IFRS.

Additionally, as of 30.06.2019 ZGH "Bolesław" had shareholdings in the following subsidiary companies (in brackets, ZGH' shareholding in share capital of those companies):

- Zinc Smelter - Huta Cynku "Miasteczko Śląskie" S.A. (92.78 %) – production of rectified zinc, lead and cadmium,
- Bol-Therm Sp. z o.o. (100 %) – power supply-, laboratory-, mechanics and construction-related services, transport-equipment and forwarding services, production of dolomite aggregates, zinc products and zinc alloys,
- Gradir Montenegro d.o.o. (99.61 %) – zinc ores mining and concentrate production,
- Agencja Ochrony Osób i Mienia "Karo" Sp. z o.o. (100 %) – bodyguard and property security services,
- F&R Finanse Sp. z o.o. (19.68 %) - financial services and financial advisory.

1.1 Change of the Capital Group's organizational structure during the 1st half of 2019.

1. On 9th March 2019 the Extraordinary General Meeting of the companies: Przedsiębiorstwo Robót Drogowych (Highways, Street and Bridge Construction Company) in Olkusz Joint-Stock Company (the acquired company) and 'Boltech' Ltd. (the acquiring company), acting according to Art. 506 cl.1 of the Commercial Companies Code, passed the merger act. The merger took place through an acquisition, without creating new shares or increasing the share capital of the acquiring company and without changing the acquiring company's Articles of the Association (merger through acquisition). The merger was recorded in the Business Register of the National Court Register, for the acquiring company in the District Court in Kraków - Śródmieście, Cracow, 12th Commercial Department of the National Court Register on 1st April, 2019 (day of the merger).

2. On 30th May 2019 the boards of the Issuer's three dependent companies, i.e. Stalprodukt-Wamech Ltd., Stalprodukt-Serwis Ltd. and Stalprodukt-MB Ltd. accepted their merger plan and subsequently informed about their intention to merge, providing all the legally-required documentation on their websites on 31st May 2019. The merger of the companies will take place according to art. 492 § 1 point 1) of the Commercial Companies Code, i.e. by transferring all the assets of the companies 'Stalprodukt-Serwis' Ltd. and Stalprodukt-MB Ltd. (the acquired companies) to 'Stalprodukt-Wamech' Ltd. (the acquiring company) for the shares that the acquiring company will hand over to the previous (the only) partner of the acquired companies, increasing simultaneously the share capital of the acquiring company.

   Within the framework of the merger the share capital of the acquiring company Stalprodukt-Wamech Ltd. will be raised from the amount of 1,200,000 PLN (read: one million two hundred thousand zlotys) up to the amount of 4,270,000 PLN (read: four million two hundred and seventy thousand zlotys) by issuing 3,070 (read: three thou and seventy) new shares with the face value equal 1,000 PLN (read: one thousand zlotys) each and with the total face value equal 3,070,000 PLN (read: three million seventy thousand zlotys). These new shares shall be covered by the only company's partner, i.e. Stalprodukt Joint-Stock Company in Bochnia, in return for all its shares in the acquired companies.

   The Issuer would also like to inform that the National Court Register recorded the merger of 'Stalprodukt-Serwis' Ltd. (on 18th July, 2019) and 'Stalprodukt-MB' (on 31st July, 2019) in the companies' registers. Registration of the above-mentioned companies' merger by the NCR in the acquiring company's register (Stalprodukt-Wamech Sp. z o.o.) should take place in the following days.

The objectives of the planned merger are as follows: streamlining the management of the Stalprodukt Capital Group through consolidation of the auxiliary companies in relation to the Issuer (mainly provision of the so-called after-sales services), optimising the companies' operations resulting from combining their technical, financial and human resource potential, decreasing their operational costs as well as gaining the effects of synergy.

2. Selected financial data. Assessment of Economic and Financial Standing

Compared to 31.12.2018, some slight changes took place in the volume of the assets and their financing sources. The assets value increased by 0.9 %. The current assets decreased by 1.3 %. The equity decreased by PLN 108 300 thousand, i.e. by 4.0 %. The liabilities and provisions for liabilities increased by PLN 147 589 thousand, i.e. by 8.9 %. Compared to 31.12.2018 an decrease of the book value per share took place from PLN 483.82 to PLN 464.41.

Assessment of the economic and financial situation

In the 1st half of 2019, compared to the analogical period of 2018, the Stalprodukt S.A. Capital Group recorded an decrease of sales by PLN 20,526 thousand, i.e. by 1.0 %. At the profit-on-sales level PLN 132,178 thousand was achieved, which accounts for a 8.5 %. decrease. Whereas at the operating profit level PLN 132,178 thousand was achieved, which accounts for a 33.0 %. decrease. In the 1st half of 2019, the net profit accounted to PLN 96,120 thousand compared to PLN 178,434 thousand generated in the 1st half of 2018.

SELECTED FINANCIAL DATA	thousand x PLN		thousand x EUR	
	1st half 2019 increasingly for the period from 01-01-2019 to 30-06-2019	1st half 2018 increasingly for the period from 01-01-2018 to 30-06-2018	1st half 2019 increasingly for the period from 01-01-2019 to 30-06-2019	1st half 2018 increasingly for the period from 01-01-2018 to 30-06-2018
I. Net sales of products, goods and materials	1 949 752	1 970 278	454 700	464 743
II. Operating profit (loss)	132 444	193 076	30 887	45 542
III. Profit (loss) before taxation	124 997	214 987	29 150	50 710
IV. Net profit (loss)	96 120	178 434	22 416	42 088
- attributable to shareholders of the parent company	89 303	169 975	20 826	40 093
- net profit attributed to non-controlling interests	6 817	8 459	1 590	1 995
V. Net cash flow from operating activities	28 509	153 660	6 648	36 245
VI. Net cash flow from investment activities	-124 234	-240 538	-28 972	-56 738
VII. Net cash flow from financial activities	991	144 037	231	33 975
VIII. Total net cash flow	-94 734	57 159	-22 093	13 482
IX. Total assets	4 396 660	4 357 371	1 034 022	1 013 342
X. Liabilities and provisions for liabilities	1 805 120	1 657 531	424 534	385 472
XI. Long-term liabilities	571 734	497 848	134 462	115 779

XII. Short-term liabilities	804 735	745 289	189 260	173 323
XIII. Shareholders' equity	2 591 540	2 699 840	609 487	627 870
- equity attributable to shareholders of the parent	2 489 525	2 593 547	585 495	603 151
- equity attributed to non-controlling interests	102 015	106 293	23 992	24 719
XIV. Share capital	11 161	11 161	2 625	2 596
XV. Number of shares	5 580 267	5 580 267	5 580 267	5 580 267
XVI. Profit (loss) for one ordinary share (in PLN)	17,22	31,98	4,02	7,54
XVII. Diluted profit (loss) per ordinary share (PLN)	17,22	31,98	4,02	7,54
XVIII. Book value per share (PLN)	464,41	483,82	109,22	112,52
XIX. Diluted book value per share (PLN)				
XX. Declared or paid-out dividend for one share in (PLN/EUR)	5,00	3,00	1,17	0,71

In the first half of 2019, the return on sales (ROS) was recorded as follows on particular levels (in %):

Itemization	1st half of 2018	1st half of 2019
Return on sales	10,0	6,8
Operating margin	9,8	6,8
Gross margin	10,9	6,4
Net margin	9,1	4,9

The recorded values of return on assets (ROA) and return on equity (ROE) were as presented below:

Itemization	1st half of 2018	1st half of 2019
Return on assets	4,1	2,2
Return on equity	7,2	3,7

The recorded values of financial liquidity, calculated according to the static approach, were as presented below:

Itemization	1st half of 2018	1st half of 2019
Current ratio	2,1	2,5
Quick ratio	1,3	1,5

During the entire reporting period the Group enjoyed very good financial liquidity, which is confirmed by the liquidity ratios maintained at high levels, the Group punctually settled all its liabilities, both in respect of the employees and suppliers, as well as towards the state budget and financial institutions.

The financial standing of the Stalprodukt Group is good and stable. This is indicated by the basic economic and financial ratios characterizing the economic activities, whose levels correspond to the present market conditions. The Group is not affected by payment backlogs consistently pursuing its adopted risk management policy. Both the Issuer and the majority of the subsidiary companies in the Capital Group enjoy financial liquidity and credit capacity.

In the assessment of the financing banks, the Stalprodukt Capital Group is continuously enjoying credit capacity which allows the Group to obtain multi-form financing for its activities. All the credit lines, which were precisely described in the last Consolidated Financial Report for 2018, are still functioning and are extended by the banks in due time. Most of these credit lines are used as limits for guarantees and letters of credit, and for overdrafts in current accounts. They, additionally, secure the Group's internal financing sources.

In order to maintain the good financial and liquidity standing, further restructuring undertakings are being carried out in respect of the Company's activities, aimed at the improved management of inventories and reduction of costs as well as expansion to new supply and sales markets.

3. Information on financial instruments

Detailed information on financial instruments in the scope of:

a) risks: related to changing prices, loan, major obstructions to cash flow and cash flow loss, to which the entity is exposed,

b) goals and financial risk management methods adopted by the entity, including hedging methods for crucial types of intended transactions to which hedge accounting is applied have been included in the Stalprodukt S.A. Financial Statement (Section 7. Financial Instruments and Risk Management Assessment).

4. Information on own shares

The issuer did not have own shares.

5. Sales of particular operating segments. Indication of the factors and events, including the non-typical ones, affecting the Abridged Interim Consolidated Financial Report.

OPERATING SEGMENTS **the Stalprodukt Capital Group**		**1st half of 2018**	**1st half of 2019**	**Change (2019/2018)**
Electrical Sheets Segment				
Segment Revenues	*Thousand x PLN*	**386 758**	**464 970**	20,2%
Segment Result	*thousand x PLN*	**57 069**	**47 843**	-16,2%
Segment margin	%	**14,8%**	**10,3%**	
Profiles Segment				
Segment Revenues	*thousand x PLN*	**383 983**	**358 040**	-6,8%
Segment Result	*thousand x PLN*	**3 342**	**-1 752**	-152,4%

Segment margin	%	**0,9%**	**-0,5%**	
Zinc Segment				
Segment Revenues	*thousand x PLN*	**1 021 485**	**972 311**	-4,8%
Segment Result	*thousand x PLN*	**197 201**	**154 133**	-21,8%
Segment margin	%	**19,3%**	**15,9%**	
Other Activities Segment of Capital Group				
Segment Revenues	*thousand x PLN*	**178 052**	**154 431**	-13,3%
Segment Result	*thousand x PLN*	**13 633**	**7 570**	-44,5%
Segment margin	%	**7,7%**	**4,9%**	
Operating segments together				
Segments Revenues	*thousand x PLN*	1 970 278	**1 949 752**	-1,0%
Segments Result	*thousand x PLN*	271 245	**207 794**	-23,4%
Segments margin	%	**13,8%**	**10,7%**	

5.1 Steel Sheets Segment

Electrical Sheets Segment embraces the sales of electrical transformer sheets and cores pursued by Stalprodukt S.A., and also sales of transformer sheets pursued by GO Steel Frydek Mistek a.s.

In the Sheet Segment the sales quantities of transformer plates were higher by 13.6 % in comparison with the first six months in 2018, with a simultaneous income growth from the segment sales of 20.2 %. The sales quantities were caused to a large degree by activity consolidation of GO Steel Frydek Mistek a.s. in this segment (it should be noted, however, that the consolidation took place from 1st March, 2018, so it covered only 4 months of last year). Despite the fact that in the first six months of 2019 the price remained close to the previous periods, the profit margins achieved by the segment fell (from 14.8 % to 10.3 %). The main contributing factors were higher direct and indirect production costs, in particular those of electricity and personal costs. The price pressure is still exerted by the clients in the segment.
The assortment group of cores and fittings saw a fall in the sales quantities by 13.4 % and a fall in sales income by 10.5 %.

The company is continuously aiming to increase its production and sales quantities of its HiB type sheets, owing to which in the first six months of 2019 twice as many sheets of this type were sold as in the same period in the previous year.

5.2 Profiles Segment

The Profiles Segment embraces the sales of cold formed profiles (tubes and sections) road safety barriers and hot-rolled and cold-rolled steel sheets and strips (products of steel service centers). These activities are pursued by the Stalprodukt S.A. production plants localized in Bochnia, Kraków and Tarnów.

The Profile Segment saw a fall in the quantitative sales in comparison with the first six months of 2018 of 8,4 %. Simultaneously, the segment achieved income sales lower by PLN 25 943 thousand, i.e. 6,8 %. The negative constant of the input and the finished product to price ratio, in particular the persistent significant import level had a negative influence on the segment's result that recorded a loss (-1.752 million PLN).

It should be noted that the EU market is covered by protection from import of input products such as hot-formed steel in rings (imported from Russia, China, Ukraine, Brazil and Iran) and cold-formed steel (imported from Russia and China). These are also the basic input materials used in production by Stalprodukt. High import duties on hot-formed steel (even up to 96.5 EUR/ton for one of the Russian suppliers) with relatively low contingent amounts limit the availability of those materials on the European Union market and contribute to the prices of those products being raised by local producers. Simultaneously, the market of finished products is inefficiently protected as a result of high contingent levels being established, including, among other things, those on products such as cold-bent profiles and pipes, based on the average import quantities for the past 3 years, i.e. a period during which the steel product import was growing dynamically. Additionally, the level of finished product contingent was raised by 5 % in February and July of the current year. Therefore, the Company is under double pricing pressure, i.e. both from local input suppliers due to high costs of material purchase and from finished products suppliers from outside of the European Union. This is the main reason for lower profit margins of the Profile Segment.

The profile assortment group saw a decrease of over 7% in the sales quantity and a decrease of almost 8% in the sales value. The profile average prices did not see serious deviations in relation to the first six months of 2018.

Traffic barrier sale was quantitatively lower by 12.7 % in relation to the comparable period of the previous year, but, owing to an increase in the average prices, the sale value fell only by 2.1 %. It should be noted that in the last few months some major contracts were terminated. These had been commissioned by GDDKiA (the General Directorate for Natural Roads and Highways) (among other things, for the construction of the road sections: A1, S3 and S5) which were supposed to be performed and completed in 2019 and in some cases in 2020. New deadlines for road construction completion, the contracts for which were cancelled, shall depend on when GDDKiA opens new tenders. They will most probably be postponed by at least one year in relation to the initial time-limits. The Company did not, however, suffer any financial consequences in the reporting period due to the road construction contracts being cancelled as the receivables from the contracts of traffic barrier supply produced by the Company had been secured well.

The least significant assortment group in this production segment – after-sales service centre products– saw the biggest quantity decreases (of 15.7 %) and sales value (of 11.9 %).

Lower results of the Sheet and Profile Segments recorded by the Issuer in the first six months reflect the generally difficult situation of the European steel industry. Whereas the world production of crude steel equalled 925.1 million tons in the first six months of 2019 (which means a rise of 4.9% in comparison with the same period in 2018), steel production in the European Union fell by 2.5 % in the same period, and in Poland by 6 %.

The negative trend of demand for steel at the beginning of this year had mainly a negative effect on the domestic steel producers in the EU. In the first quarter of 2019 domestic supplies from European factories fell by 4% in comparison with the same period in 2018. At the same time, import from third countries declined only by 1% year on year and equalled 10 million tons, which amounts to 23.6% of steel consumption in the EU.

According to the data published by EUROFER, open steel consumption in the EU fell by 2.5% year on year in the first quarter of 2019 and equalled 42.6 million tons. This negative trend in steel consumption results from the ongoing crisis in the production sector in the EU, weak export and lower investment expenditures. Forecasting indicators signal low-level stability until the end of the year with no signs of a realistic recovery in the best-case scenario.

5.3 The Zinc Segment

The Zinc Segment embraces the operational scope of ZGH “Bolesław” S.A. along with its subsidiary companies, i.e. excavation of zinc and lead ores, zinc and lead production as well as related activities.

In the first six months of 2019 net income of the Zinc Segment equalled 972.3 million PLN and, in comparison with the comparable period of the previous year, when the sale equalled 1 021.5 million PLN, it fell by 4.8%. The sale income is influenced by LME metal prices, the American dollar exchange rate as well as the product sale quantity. A decline in the Zinc Segment’s turnover in the first six months of 2019, in relation to the comparable period of the previous year was caused by a significant fall in zinc prices on the stock exchange (of 16%), lead (of 20%) and silver (of 9%). A rise in the American dollar exchange rate (of 9%) partly offset the dynamic of the fall.

The prices for the basic metals (on LME) bought by ZGH “Bolesław” S.A. were as follows in 1st half of 2018 and in 1st half of 2019:

Metal	Average price (USD/tons) 1st half of 2018	Average price (USD/tons) 1st half of 2019	Change (%)
zinc	3 268	2 732	-16.4
lead	2 456	1 962	-20.1
silver (USD/oz.)	16,7	15,2	-9.0

Metal prices converted to the PLN currency:

Metal	Average price (PLN/tons) 1st half of 2018	Average price (PLN/tons) 1st half of 2019	Change (%)
zinc	11 388	10 377	-8.9%
lead	8 564	7 458	-12.9%
silver (USD/oz.)	58,1	57,9	-0.3%

The first six months of 2019 saw a decline in the sale quantity of zinc products and silver, but the sale of lead products was higher.

In the first six months of the current year 4.6 % less zinc was sold than in the first six months of 2018. More than 84% of the Zinc Segment's turnover rely on the zinc prices.

The sale quantity of lead and lead concentrates rose by 39%. Only approximately 5% of the Zinc Segment's turnover rely on the lead price.

The sale of silver was lower in the first six months of 2019 than that in the first six months of 2018. Approximately 2% of the Zinc Segment's turnover rely on the price of silver.

In the first six months of the current year the Segment's profit margin equalled 15.8% and was lower than the profit margin for the first six months of 2018 (19.3 %). The profit margin fall in the current period is caused mainly by a significant fall in metal prices on the stock exchange, lower sale quantities of zinc and silver. At the same time, the sale profit margin fall was partly offset by: an increase in sale quantities of galena concentrates and refined lead as well as hedging transactions and the American dollar exchange rate

5.4 Group's Other Activities Segment

The Group's Other Activities Segment embraces the sales of goods and services rendered by the following entities: STP Elbud Sp. z o.o., Cynk-Mal S.A., Stalprodukt-Zamość Sp. z o.o., Stalprodukt-Serwis Sp. z o.o., Stalprodukt-Wamech Sp. z o.o. and Stalprodukt-MB Sp. z o.o.

The Segment's income from the remaining activity fell by 13.3% in the reporting period and its profit margin equalled 4.9 %.

6. A concise description of the Issuer's important accomplishments or failures in the reporting period, including the list of the most important events relating to the Issuer

- Last year's acquisition of GO Steel Frydek Mistek a.s. based in the Czech Republic allowed the Stalprodukt Group to strengthen its position on the market of transformer plates through a 50% incremental increase of its production capabilities on a yearly basis (i.e. up to 150 thou tons/year). The Issuer's Board is decidedly positive about the impact of this transaction on the results achieved by the Electrical Sheet Segment. Furthermore, Stalprodukt uses the bulk of cold-formed steel sold by company GO Steel Frydek Mistek a.s. for the production needs of cold-formed profiles

- The Company's Board records a persistently negative environment for the Profile Segment, which resulted in achieving a negative result within this range of activities in the first six months of 2019 (PLN -1.752 thousand). The impact of regulations concerning the protective measures of the steel product market in the EU before the import of input materials (high import duties), with simultaneous ineffective protection of the finished product market (high contingents, raised by another 5% last July) has had a particularly negative impact.

Changes in the distribution system of cold-bent profiles, implemented on the domestic market in July 2018 were particularly positive. These changes allowed better efficiency and a decrease in maintenance costs of the distribution network owing to optimising the management of commercial warehouses and better credit risk management.

7. Description of the basic threats and risks related to the remaining months of the reporting year

a) Risk of further zinc price reduction and lower demand

The average LME zinc price fell in the first six months of 2019 by 16.4 % in relation to the first six months of 2018 (the fall of the zloty price was lower and equalled 8.9 %). Taking into account a significant influence of the Zinc Segment on the consolidated results of the Stalprodukt Group, a further decline in the zinc prices or lower sale quantities would undoubtedly have a detrimental effect on the results achieved by the Group.

A possible decrease in the zinc price results mainly from the unfavourable microeconomic environment and unstable geopolitical situation. Investors are therefore anxiously watching the trade war waged by the USA and China.

A possibility of increasing the production capability by factories, resulting from easy availability of concentrates and high TC fees, has an additional negative effect on the perception of the zinc market. This is coupled with lower global consumption of and demand for zinc, faced by us over the past few months; it is linked mainly with slowing down in the steel sector and lower car production mainly in Europe and in Asia.

Lower zinc prices are confirmed by data published by ILZSG as the average monthly zinc consumption is clearly visible in relation to the previous years. Presently it equals 1 108 tons as compared to 1 140 tons in 2018 and 2017, 1 142 in 2016 and 1 137 tons in 2015.

The decrease in zinc consumption is accompanied by lower average prices at the beginning of the second six months of 2019 which equalled: 2 447 USD in July and 2 276 USD in August of the current year (from 1st till 28th August).

It should, however, be noted that the risk of lower zinc prices is significantly limited through the active protective policy applied by the companies of the ZGH ‘Bolesław’ Joint-Stock Company Group

b) Risk of delays in road project completion

Due to the fact that GDDKiA cancelled a few major construction contracts of significant motorway and express road sections, this year shall be considerably worse in this respect than it was originally planned. As a consequence, a fall in the sale of barriers should be expected in the second six months of 2019 on the domestic market. As a result of the above, in the years to come, particularly in the period 2020 – 2021, completion deadlines of the Company's many road investments will accumulate. This, in turn, should have a positive impact on the barrier sale level in the future periods.

c) Risk of decline in demand for Stalprodukt's products as a result of steel consumption on the European market and growing import

In 2019 it is expected that the level of open steel consumption will decrease by 0.6% year on year, which will take place mainly at the expense of the Union steel producers. Although it is expected that the market conditions in 2020 will improve moderately, the risk related to supply disruption is still a threat to the steel market stability in the EU. A 5% contingent growth from July 2020 – following a 5% growth in February and July 2019 – yet again does not correlate with the expected growth reflecting the actual steel consumption (the forecast growth is only 1.1% in 2020). Therefore, the threat of the Union market being destabilised by supply from third countries at the expense of the union producers remains.

8. Management Board's Standpoint on Potential Realization of Previously Published Forecasts

The Capital Group does not publish any forecasts of financial results.

9. Indication of the Shareholders, holding directly or indirectly through the subsidiary companies, at least 5% of the general number of votes at the Issuer's General Meeting as of the Semi-Annual Report's date of issue, as well as indication of changes in the shareholding structure in respect of the Issuer's substantial blocks of shares in the period pending from the submission day of the previous periodic report.

a) Shareholders entitled directly to at least 5% of the general number of votes at the General Meeting of Shareholders

- STP Investment S.A. holding 1 829 319 shares, accounting for a 32.78 %-share in capital and 5 875 691 votes, accounting for 48.17 % of the total number of votes at the General Meeting of Shareholders,
- Stalprodukt Profil S.A. holding 579 652 shares, accounting for 10.39 %-share in capital and 1 097 488 votes, accounting for 8.98 % of the total number of votes at the General Meeting of Shareholders.
- ArcelorMittal Sourcing a société en commandite par actions holding 1 066 100 shares, accounting for a 19.10 %-share in capital and 1 066 100 votes, accounting for a 8.74 % of the total number of votes at the General Meeting of Shareholders.

In the period from the date of forwarding the previous periodical report, there were no changes in the ownership structure of significant issuer's share packages.

b) Shareholders entitled indirectly to at least 5% of the general number of votes at the General Meeting of Shareholders

Moreover, Piotr Janeczek indirectly holds, i.e. through:

- STP Investment S.A. - 1 829 319 shares, accounting for a 32.78 %-share in capital and 5 875 691 votes, accounting for 48.17 % of the total number of votes at the General Meeting of Shareholders,
- Stalprodukt Profil S.A. - 579 652 shares, accounting for a 10.39 %-share in capital and 1 095 488 votes, accounting for 8.98 % of the total number of votes at the General Meeting of Shareholders,
- F&R FINANSE sp. z o.o. – 43 807 shares, accounting for a 0.79 %-share in capital and 43 807 votes, accounting for 0.36 % of the total number of votes at the General Meeting of Shareholders,
- Stalnet sp. z o.o. (together with Mrs. Halina Orłowska) – 135 564 shares, accounting for a 2.43 %-share in capital and 383 572 votes, accounting for 3.14 % of the total number of votes at the General Meeting of Shareholders,

i.e. the total of 2 588 342 shares, accounting for a 46.38 %-share in capital and 7 398 558 votes, accounting for 60.65 % of the total number of votes at the General Meeting of Shareholders.

Considering the shares directly held by Mr. Piotr Janeczek, he holds a total of (i.e. directly and indirectly) 2 703 395 Stalprodukt S.A. shares, accounting for a 48.45 %-share in capital and 7 973 471 votes, accounting for 65.36 % of the total number of votes at the General Meeting of Shareholders.

10. Compilation the Issuer’s shareholding status or entitlements thereto exercised by the Issuer’s managing or supervising officers as of the Semi-Annual Report’s date of issue accompanied by the changes in the shareholding structure, in the period pending from the submission day of the previous periodic report, separately for each of the persons concerned

a) Managerial Officers

Name and surname	Updated number of shares of Stalprodukt S.A. (as of 30.08.2019)	Number of previously held shares of Stalprodukt S.A. (as of 15.05.2019)	Changes in the Issuer’s Ownership Structure
Piotr Janeczek*	115 053	115 053	Did not occur
Józef Ryszka	504	504	Did not occur
Łukasz Mentel	100	100	Did not occur

* subject to item 7 b)

b) Supervisory Officers

Name and surname	Updated number of shares of Stalprodukt S.A. (as of 30.08.2019)	Number of previously held shares of Stalprodukt S.A. (as of 15.05.20198)	Changes in the Issuer’s Ownership Structure
Janusz Bodek	61 974	61 974	Did not occur

The remaining Members of the supervisory Board did not hold any shares of Stalprodukt S.A.

11. Indication of significant proceedings pending in court, agency proper for arbitration proceedings, or public administration agency, related to the liabilities or receivables of the Company or its subsidiary.

The significant proceedings pending in court is the case brought by Przedsiębiorstwo Wodociągów i Kanalizacji sp. z o.o. in Olkusz against the ZGH "Bolesław" S.A. Company for mining damages to be paid in the amount of PLN 64,015.224.00 (File No IX GC 99/14).

On 25.04.2018, the Regional Court of Cracow, 9th Economic Department (cases jointly designated with file No IX GC 543/13) issued judgements in the following cases regarding the subsidiary company, i.e. ZGH "Bolesław" S.A.:

- regarding the suit brought by Przedsiębiorstwo Wodociągów i Kanalizacji sp. z o.o. in Olkusz against the Company for the payment of compensation in the amount of PLN 64,015,224.00 (File No IX GC 99/14) issued a preliminary judgement, recognizing the action of PWiK sp. z o.o. in Olkusz as justified as a matter of principle. The potential amount of the compensation shall be subject to further proceedings and may total the maximum of PLN 64 million. In connection with the referenced lawsuit, already in 2015, the Company formed a provision amounting to PLN 15 million. The judgement is not final and legally binding. The Company shall lodge an appeal against the judgement,
- regarding the suit brought by the Company against PWiK sp. z o.o. in Olkusz for declaratory action seeking to establish that the Company is not liable for the lack of water supplies resulting from the mine dewatering activities after the mine liquidation and that the Company is not liable for the pollution of the existing or former water intakes, PWiK sp. z o.o. (File No IX GC 543/13), issued a judgement dismissing the action. The judgement is not final and legally binding. The Company shall lodge an appeal against the judgement.

The Issuer informed about the above mentioned judgements and the standpoint of the ZGH "Bolesław" S.A. company in the case, in the Current Report No 6 dated 25.04.2018. The Issuer shares the opinion of the subsidiary company ("Company") contained in the report concerned, which was provided below:

a) *from the beginning of 2017 onwards, PWiK sp. z o.o. ceased to use the mining waters, provided by the Company, in its activities as defined in the Articles of Association. Staring from that moment, PWiK sp. z o.o. has exclusively used its own independently-constructed water supply system, based, in particular, on the Kolbark, Cieślin and Bydlin water intakes. The above intakes seem to sufficiently secure the Olkusz region's water supply,*
b) *what is recognized as damages in the case concerned, is the value of the outlays made by PWiK sp. z o.o. in order to build the new water supply system. It should be pointed out that, considering the present condition, as for today PWiK sp. z o.o. expended around gross PLN 29 million to this end. These funds were used for the construction of the above mentioned water intakes and water distribution pipelines. Therefore, at the present moment, this is how much the damages total and not PLN 64 million,*
c) *in the Company's assessment, the potential compensation amount should be rendered as a net amount (exclusive of VAT, which PWiK sp. z o.o. may deduct). The present status means that the above mentioned amount should be reduced by 23%.,*

d) *while building the water supply system, PWiK sp. z o.o. benefited from the EU extra funding amounting to 60-80% of the project value. In the Company's assessment, the adversary has not sustained any loss in this respect,*
e) *determining the compensation amount, one should exclude investments related to the water supply activities, e.g. water chlorination equipment, UV irradiation,*
f) *the above issues shall, most probably, be the object of further proceeding, including the valuations to be made by the experts.*

Moreover, it should be reminded that the issue of contingent liabilities related to the acquisition of ZGH "Bolesław" S.A. was described in detail in the Stalprodukt S.A. Consolidated Financial Report for the year 2013 (item 11. Settlement of the ZGH "Bolesław" S.A. purchase price). The contingent liabilities were defined as resulting from the risks identified by the Acquirer and related, among others, to: the "Olkusz-Pomorzany" mine liquidation costs and liability for the mining damages. The amount resulting from the above mentioned estimates totaled PLN 296 115 thousand. This amount was entered in the Balance Sheet as of 31.12.2013 in the position "Contingent liabilities due to the purchase of ZGH "Bolesław" S.A".

12. Information on a transaction or many transactions concluded by the Issuer or the Issuer's subsidiary with associated companies if such transactions were based on conditions other than market conditions.

The transactions with associated companies in the 1st half of 2019 are concerned with:

- sales of products and goods to the companies within the Stalprodukt Capital Group,
- rendering services to Stalprodukt S.A. by its subsidiary companies.

It should be stressed that these were typical and routine transactions, arising from the on-going operating activities and rendered on a continuous basis. These transactions are based on market conditions.

13. Information on credit or loan sureties or guarantees granted by the Issuer or the Issuer's subsidiary – jointly to one entity or a subsidiary controlled by the entity if the total value of the existing sureties or guarantees is significant.

In the reporting period, the Stalprodukt Company and its subsidiary companies did not grant any loans or credits, guarantees or sureties, jointly amounting to at least 10 % of the Issuer's equity.

14. Inne informacje, które zdaniem Emitenta są istotne dla oceny jego sytuacji kadrowej, majątkowej, finansowej, wyniku finansowego i ich zmian, oraz informacje, które są istotne dla oceny możliwości realizacji zobowiązań przez Emitenta

All the information essential for the assessment of the staffing, property and financial standing, financial result and changes thereof and essential for the assessment of the Group's capacity to settle its liabilities, are included herein or in the „Additional Information" sheet.

15. Czynniki, które w ocenie Emitenta będą miały wpływ na osiągnięte przez niego wyniki w perspektywie co najmniej kolejnego kwartału.

In the Issuer's assessment, the factors likely to affect the Group's results in the perspective of, at least, the coming quarter shall be:

- fluctuating transformer sheets price levels,
- fluctuating charge material prices,
- fluctuating prices and demand for the Company's products, especially in the profiles segment,
- exchange market metal price levels, in respect of such metals as zinc and lead,
- fluctuating currency exchange rates,
- global and European economic conditions.

16. Composition of Management Board's and Supervisory Board

<u>Management Board Composition</u>

In the period from 1 January 2019 to 30 June 2019, the Stalprodukt Management Board was composed of:

Piotr Janeczek - President of the Board
Józef Ryszka - Member of the Board
Łukasz Mentel - Member of the Board

<u>Supervisory Board Composition</u>

In the period from 1 January 2019 to 30 June 2019, the Stalprodukt Supervisory Board was composed of:

Janusz Bodek - Chairman of the Supervisory Board
Sanjay Samaddar - Vice-Chairman of the Supervisory Board
Magdalena Janeczek - Secretary
Agata Sierpińska-Sawicz - Member
Romuald Talarek - Member

The present Report on the Activities of the Stalprodukt S.A. Capital Group was approved for publication by the parent company’s Management Board on 30.08.2019.

....
Łukasz Mentel
Member of the Management Board
– Financial Director

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Józef Ryszka
Member of the Management Board
– Marketing Director

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Piotr Janeczek
President of the Management Board – CEO